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7 May 1952

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**CURRENT INTELLIGENCE DIGEST**

Office of Current Intelligence

**CENTRAL INTELLIGENCE AGENCY**

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State, JCS, Army reviews completed

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GENERAL

1. Orbit receipts of goods from and through Austria increased toward end of 1951: Shipments of goods by rail through Austria from Western to Orbit countries totalled 28,532 metric tons in December 1951. This was 43 percent above the monthly average for the previous thirteen months and the highest figure since January 1951.

Meanwhile, rail shipments of products from the Administration of Soviet Enterprises in Austria (USIA) to the Soviet Union and its Satellites reached a six-month high in December 1951, but declined substantially in January 1952. About two thirds of the 53,793 carloads shipped from USIA to the Orbit between June 1951 and January 1952 consisted of oil-products. (S USFA Weekly Intelligence Summary 354, 16 Apr 52)

Comment: Austrian rail transit shipments are an uncertain indicator of the volume of West-East trade and probably constitute only a small percentage of all shipments to the Orbit. The monthly variations in tonnage are frequently accounted for by irregular deliveries of a few heavy but not particularly significant items. The number of loaded railway cars departing from USIA is also subject to wide monthly fluctuations, some of which must be attributed to such factors as unavailability of transport, or inadequate routing schedules.

SOVIET UNION

2. New Soviet loan to help finance construction projects: Soviet Finance Minister Zverev in a 5 May home service broadcast announced plans for the seventh postwar state loan in the amount of 30 billion rubles.

SECRET

SECRET

Zverev explained that the aim of the new loan is to enlist the people's savings for the further development of the national economy. Projects mentioned included the Kuibyshev and Stalingrad hydroelectric stations on the Volga, the Kakhovka power station on the Dnieper, the Main Turkmen, South Ukrainian, and North Crimean canals. (R FBIS Moscow, 6 May 52)

Comment: The plan for 1952 is to raise 42.6 billion rubles by loan. The amount of this first 1952 loan is the same as last year when the proceeds were also allocated to the development of the national economy. The first five loans were designed to pay for reconstruction of war devastation and to help in the expansion of industry in the USSR. According to the Soviet press there are now about 70 million bondholders in the USSR, compared with 65 million in 1951.

#### EASTERN EUROPE

3. US protests Hungarian abuse of diplomatic pouch to export radio equipment: The State Department instructed the American Legation in Budapest on 5 May to protest to the Hungarian Government the abuse of the diplomatic pouch to cover the transportation of radio, electric and electronic parts from the United States. The type and character of the equipment as well as the quantity were such as to preclude their use for any normal purposes and suggested that the articles had been purchased for re-export contrary to US laws and regulations. The Legation was instructed to avoid giving Hungary any grounds for arbitrary or retaliatory interference with US couriers and pouches. (S to Budapest 407, 5 May 52)

Comment: Since Hungary is a large manufacturer of radio and electric equipment, the taking of relatively small quantities suggests that the articles were designed for prototypes for Hungarian manufacturers.

SECRET

SECRET

FAR EAST

4. Peiping impresses British trade delegates with germ warfare claims: British delegates to the Moscow Economic Conference were shown a germ warfare exhibit in Peiping during their visit in April. Some of them apparently are convinced that there is a substantial basis for China's charges against the United States.

The exhibit included instruments of germ warfare, posters showing American press statements on germ research, and recordings of American prisoner-of-war statements. One of the British visitors reportedly believes that Peiping's charges are well founded, on the ground that it is impossible for China to fabricate such evidence. A more cautious member of the group thinks that the Chinese made a prime facie case which requires "serious investigation." (C Moscow 1768, 5 May 52)

Comment: Although the volume of Peiping's propaganda on germ warfare has diminished somewhat, the Communists continue to press their campaign to win foreign support for their charges.

Some success in the Communists' BW propaganda campaign is evidenced by a 12 April statement in the British leftist weekly New Statesman and Nation, modifying a former stand that the Communist claims did not even merit further examination.

5. Pro-Communist Chinese newsmen in Hong Kong sentenced: The action of the Hong Kong court in finding the Chinese publisher and editor of the pro-Communist Ta Kung Pao guilty of sedition, fining them and suspending the newspaper for six months, is certain to be denounced at length by the press in Communist China. The newspaper is not an official Communist publication, however, and the prestige of the Peiping regime is not directly involved.

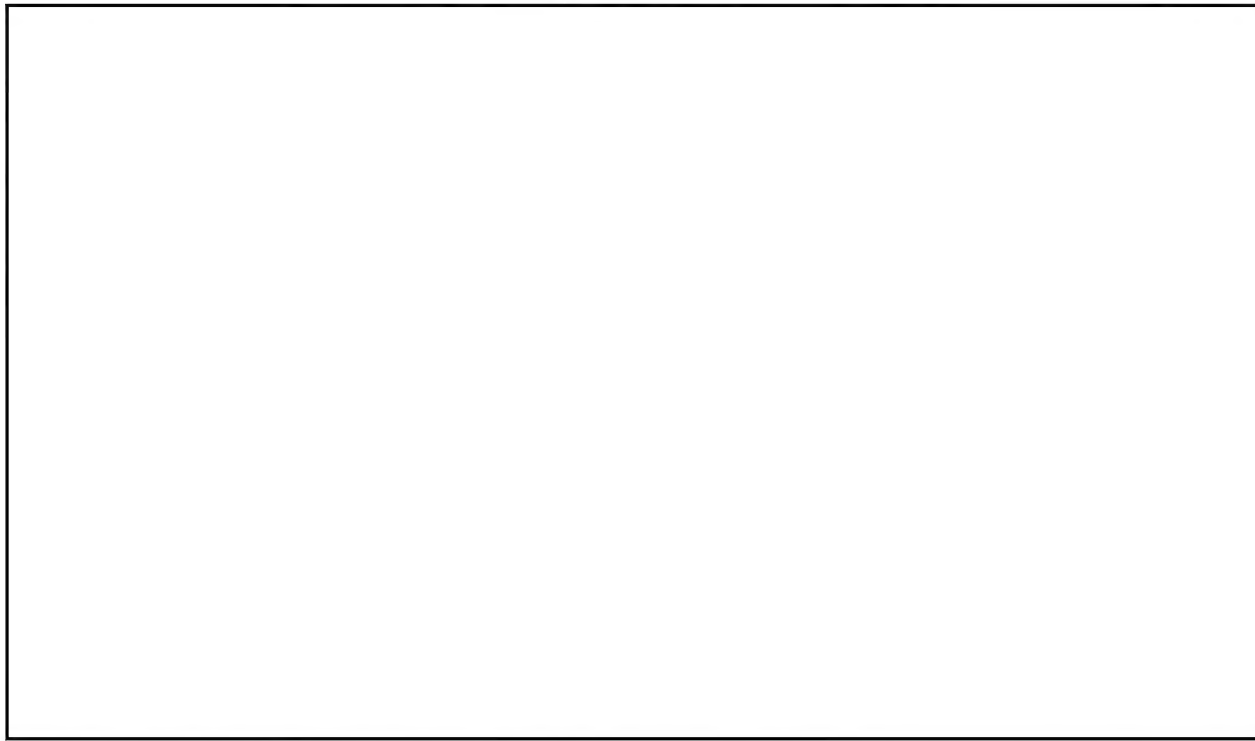
A more important issue, in the relations between the Hong Kong government and the Chinese Communists, is the Hong Kong government's recent notification to the official Communist news agency in the Colony that it must register by mid-May or cease operations. The Communist decision will provide a good indication of Peiping's short-range intentions toward the Colony. (Factual data from: U Hong Kong 2993, 5 May 52)

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25X1C



7. Karens seen resisting surrender to Burmese Government  
despite arms shortage: The commander of the Karen forces in  
the Irrawaddy Delta is [redacted] under the sur-  
veillance of his colleagues because of his efforts to negotiate  
the surrender of Karen insurgents to the Burmese Government.  
At the same time, the head of the Karen "Government" has also  
informed a representative in Rangoon of the Delta Karens' des-  
perate need for arms.

25X1A [redacted] Meanwhile, a final settlement between insurgent Karens  
and Communists is allegedly scheduled at the next meeting of  
their leaders at an unspecified time and place. [redacted]

25X1A

25X1A [redacted] Comment: The Karen Delta commander's present activities  
cannot be confirmed, although another report indicated that he  
had actually been arrested by his followers. The Karens' seri-  
ous situation in the Delta and the possibility of a Karen-  
Communist alliance have been reported several times.

8. High morale of Karens in east Burma reported: The Ameri-  
can Embassy in Rangoon has received reports that the morale of  
the Karen insurgents in eastern Burma is good as a result of

SECRET

SECRET

their acquisition of arms and ammunition from Thailand in exchange for ore. Unverified reports also indicate triangular traffic in arms between the Chinese Nationalists, Burmese Communists and Karen insurgents. (S Rangoon 1065, 5 May 52)

Comment: There is considerable evidence of Karen involvement in trading ore for arms with the Thai. There have also been reports of Karen dealings with the Chinese Nationalists, but it is not clear how the Burmese Communists, who have neither arms nor ore to offer, fit into the triangle.

9. Philippine sentiment against recognition of Indochinese states seen changing: In connection with the forthcoming visit to the Philippines of a Vietnamese official, Philippine Secretary of Foreign Affairs Elizalde inferred that sentiment in his country was slowly changing in favor of recognition of the Associated States. (C Manila 3836, 6 May 52)

Comment: The former Philippine Foreign Secretary, Carlos Romulo, often found the divergence of American and Philippine policy on Indochinese recognition useful in proving that the Philippines was not subservient to the United States. The issue has not aroused Philippine public opinion. Any change in the government's position may be partly the result of unusually large rice import requirements which could be partially satisfied by Indochina.

10. Indonesian Moslem labor officials visit Peiping: Three officials of the United Islamic Workers of Indonesia (SBII) left Djakarta for Peiping on 3 May. They were invited by the All-China Federation of Trade Unions to study the labor situation in China. (R FBIS Djakarta, 5 May 52)

Comment: The non-Communist SBII was founded in 1950 with the active support of the Moslem League, Indonesia's largest political party. Following the Communist arrests in August and September 1951, SBII drew large numbers away for SOBSI, the Communist-led and dominant labor organization in Indonesia. Although it has by no means realized its founders' ambitions that it displace SOBSI, it is one of several important anti-SOBSI organizations.

SBII refused an invitation to attend the May Day celebrations in Peiping. The reason it accepted the second invitation has not been reported.

SECRET

SECRET

11. Australian defense program reason for Menzies' Washington visit: Prime Minister Menzies has told a representative of the US Embassy that the "real reason" he wants to visit Washington is that Australia lacks the productive capacity and the dollars to complete its three-year defense program. Calling attention to isolationist sentiment in his country, Menzies said that he desires the defense program to be far enough advanced so that any successor will be unable to jettison it. (S Canberra 293, 5 May 52)

Comment: Shortages of many vital materials and of manpower are critical in Australia, and as a result, the present government's three-year program, instituted in mid-1950, is lagging. The American Embassy has previously observed that Australia's defense policy is not bi-partisan and that a reduction of the defense budget would be welcomed by many sectors of the population.

SOUTH ASIA

12. Pakistan's Interior Minister deplores Pakistani complacency toward Communism: The Pakistani Minister of the Interior and Police informed American Ambassador Warren on 2 May that the noticeably increasing Pakistani attitude of complacency toward Communism might result in demands for more tolerance toward Communist agitators. The Minister thinks that a more active anti-Communist press and radio campaign is needed to combat this attitude. (S Karachi 1308, 3 May 52)

Comment: In recent months there has been an apparent relaxation of anti-Communist security measures in Pakistan. Certain restrictions on travel to Communist countries have been removed and a number of Communists have been released from jail.

There is no indication that a feeling of complacency inspired these moves. Rather, it seems that the present government desires to avoid criticisms of dictatorship and that many Communists arrested in a large-scale roundup following discovery of the anti-government military plot of 10 March 1951 have been released for lack of evidence on which to hold them. As recently as late April 1952, the Pakistani Government caused a pro-Communist trade union delegation to abandon its plans for attending May Day ceremonies in Peiping by refusing passports to one or more of its members.

SECRET

SECRET

NEAR EAST - AFRICA

13. France will propose reforms for Morocco patterned on Tunisia model: The chief of the Protectorates Division of the French Foreign Office outlined to the American Embassy on 5 May the reforms proposed in a draft reply to the Sultan's demand for a revision of the Moroccan Protectorate. The country's administration would be reorganized along the lines of the program imposed on the Tunisians in March. It would include French representation in municipal government, a bicameral legislature without power or responsibility, and the creation of a Moroccan cabinet. (S Paris 6791, 5 May 52)

Comment: Such a reply is not likely to satisfy the Sultan, who on 17 March not only formally petitioned for a revision of the 1912 Treaty of Fez, but also complained about French-sponsored attempts to undermine his prestige.

If the outlined program were effected, French interests would be even more firmly entrenched than now, since they would then have an actual voice in the administration of the country and no longer have to work through the Residency in Rabat to achieve their ends.

SECRET

SECRET

WESTERN EUROPE

14. COCOM reaffirms support of East-West trade controls:  
American officials in Paris believe that the British, German, French and Italian delegates to COCOM have reaffirmed their governments' intentions, as a result of the Moscow Economic Conference, to adhere firmly to the present export control system in order to make clear that they will not take advantage of the flexibility in the control program. In general, however, the recent COCOM meeting to exchange official views on the Conference was inconclusive, and another meeting was scheduled for 21 May for an exchange of more precise information.

The German delegate, who set the pace of the discussions, stated that his government felt that the Conference did not indicate a change in the Soviet bloc's attitude toward East-West trade. The Federal Republic considered the Moscow Conference an "initial success" because of the general interest created in trade with the Orbit. Both the German and the British delegates emphasized the need for common action in the field of counterpropaganda, since further Soviet propaganda moves against Western trade controls are expected. (S Paris 6795, 5 May 52)

15. Trade between East Germany and Soviet Enterprises in Austria reported: Trade lists allegedly governing a program of goods-exchange for 1951-1952 between the Administration of Soviet Enterprises in Austria (USIA) and East Germany reportedly call for shipments in the amount of two million dollars each way. USIA will receive primarily buna, felt, photopaper, motor-cycles, automobiles, turbine pumps, office machinery, and sewing machines in return for hogs, cables, oxygen bottles, and steel products. (S USFA Weekly Intelligence Summary 354, 16 Apr 52)

Comment: Trade between USIA and East Germany has been frequently reported, but the volume and kind of goods exchanged-- with the exception of Austrian-produced oil -- has not been known. Recent Austrian complaints that USIA was importing German-produced automobiles, as well as collateral evidence regarding specific shipments, lend some authenticity to the alleged lists.

Since Austria is an importer of meat products, the exportation of hogs, if Austrian in origin, suggests the way in which USIA operations distort Austrian trade patterns.

SECRET

SECRET

16. French leadership in European agricultural pool seen passing to the Dutch: The American Embassy in Paris reports that unless there is an unexpected reversal of the Pinay government's opposition to agricultural integration, leadership in the proposed "green pool" will pass to the Netherlands. Both the French National Management Association and the increasingly conservative French farm leadership are expected to discourage the development of a supranational organization.

French and Dutch representatives plan to meet unofficially "for strategy purposes" before the working group's meeting in Paris on 14 May. (C Paris 6804, 5 May 52)

Comment: The French National Management Association's opposition derives from fear that the pool would destroy the association's exploitation of cartels based on restricted markets.

The Netherlands can be expected to continue to press for the creation of a supranational pool because it needs additional markets for its surplus agricultural products.

17. Belgians and Dutch may modify positions to permit initialing of Defense Community treaty: After the strong representations by the Belgian delegate to the European Defense Community talks, the French delegate has proposed that the treaty or military protocol provide for a uniform period of military service of not less than 18 months for all the Community members. Because the Belgian Foreign Minister intends to insist that the period be definitely fixed at the Foreign Ministers' meeting even if the French proposal is accepted, the Belgian delegate is finding it difficult to get the other delegates to agree on the proposed wording.

The Dutch Foreign Office states that it has modified its delegate's instructions on the external aid question to permit him to reach an agreement "satisfactory" to the United States. (S Paris 6794, 5 May 52; S The Hague 1169, 6 May 52)

Comment: The Belgians have been adamant that the Community adopt a uniform twenty-four month period of military service.

The Netherlands has also stated that it will refuse even to initial the treaty unless the amount and division of the German financial contribution for the first year are settled; but since this problem is expected to be discussed at the Foreign

SECRET

SECRET

Ministers' meeting, the Dutch may withhold their objections until then.

18. Democratic parties seen likely victors in Rome elections: The American Embassy, commenting on the Rome election campaign, believes that the democratic parties will probably keep control of the city administration, despite the current wave of demonstrations by the neo-fascist Italian Social Movement (MSI), the Communist poster propaganda, the dissensions among local Republicans and Democratic Socialists, and the dissatisfaction of state employees with the small salary increases approved by the government. The Embassy recalls that in the north Italian local elections a year ago, the Christian Democrats "managed to pull themselves together" before the end of the campaign. (S Rome Joint Weeka 18, 2 May 52; R Rome 4784, 5 May 52)

Comment: The democratic parties, linked together for the Rome elections and aided by the electoral law which gives two thirds of the city council seats to the party obtaining a plurality of the votes, may win the election by a narrow margin.

However, in many cities in South Italy and Sicily, social unrest and dissatisfaction with the Christian Democratic government's economic policies are expected to result in a substantial number of victories for both the Communists and the neo-fascists.

LATIN AMERICA

19. Costa Rica will detain freighter if USSR charter or other shipping violation can be proved: The Costa Rican Government is trying to verify rumors that the St. Nicholas, now at Port Arthur, Texas, is under Soviet charter. The government will detain the ship if it finds proof that the rumors are true or that Costa Rica's shipping regulations have been otherwise violated. The government began its investigation after representations by the US Embassy at San Jose. (S to San Jose 155, 2 May 52; S San Jose 204, 3 May 52)

Comment: Although Costa Rica passed a new and fairly stringent shipping law in January, government officials have apparently made little effort to keep track of the activities of the small Costa Rican fleet. Several of the ships, including the St. Nicholas, have been trading Far East and Soviet Orbit ports during the past year and are open to suspicion of being under Soviet charter.

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NEAR EAST - AFRICA

1. Egypt considers new British proposals unacceptable:  
The chief of King Farouk's palace cabinet has informed Ambassador Caffery that the new proposals on the Anglo-Egyptian dispute which the British Ambassador brought back from London are unacceptable. The King's adviser stated that Egyptian authorities were extremely disappointed with the proposals but would not reject them immediately.

The palace official promised that the Egyptian Government would show Caffery a copy of its reply to London before presenting it to the British. (S S/S Cairo 1946, 5 May 52)

Comment: The Ambassador previously reported that no one in Cairo considered the new British proposals acceptable and that Egyptians were increasingly convinced that the joint discussions would prove futile.

WESTERN EUROPE

2. British High Commissioner pessimistic on German contract line: British High Commissioner Kirkpatrick doubts that the Allied-German contractual agreement can be signed on 20 May because of the revisions necessary to solve Chancellor Adenauer's difficulties with his coalition. He mentions 1 June as a more likely date and will propose that the High Commissioners conduct a "probing operation" to ascertain what minimum concessions Adenauer must have.

High Commissioner McCloy warns that provisions in the agreement previously considered settled may be reopened for similar reasons. He states that he cannot estimate how long

TOP SECRET

TOP SECRET

it will take to settle all outstanding matters, including the revisions. (TS Bonn 2645, 5 May 52; TS London 5018, 5 May 52)

Comment: Negotiators in Paris and in Bonn are trying to finish drafts of the European Defense Community treaty and the contractual agreement so that the Foreign Ministers can sign them on 20 May. The EDC treaty drafts are expected to be initialled this week. Adenauer still insists that he will be able to sign the contractual agreement on 20 May.

#### LATIN AMERICA

3. Chilean President requests US to announce its willingness to open copper negotiations: In a meeting with the US Ambassador in Santiago, President Gonzalez Videla requested that President Truman "say in a press conference, or otherwise, that he is willing to open or resume (copper) negotiations." The Chilean President would then announce his desire to negotiate. In partial explanation of Chile's denunciation of the copper agreement with the US, he pointed out the grave economic, social, and political situation created by Chile's inability to dispose of its copper at a price expected, and the closing of the copper mines by strikes. He emphasized that he had never thought of withholding from the United States copper needed "for defense and other vital purposes."

The US Embassy comments that the President's manner was conciliatory and friendly, and that his government is trying to keep down criticism of the US Government. The Embassy states that he is "unquestionably right" as to the critical domestic situation. (C, S/S Santiago 574, 5 May 52)

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